



STATE OF WASHINGTON

**LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS'  
PLAN 2 RETIREMENT BOARD**

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**REGULAR BOARD MEETING  
November 16, 2005**

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The Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board met in Conference Room of the Washington State Association of Counties Building located at 206 Tenth Avenue S.E., Olympia, Washington 98501 on November 16, 2005.

**Board Members Present:**

Kelly Fox, Chair  
Jack Simington, Vice Chair  
Doug Cochran  
Michael Edwards  
Pat Hepler  
Jeff Holy  
Mark Johnston  
Maureen Morris  
Senator Linda Evans Parlette  
Representative Geoff Simpson

**Staff Present:**

Steve Nelsen, Executive Director  
Shawn Merchant, Deputy Director  
Jeralyn Faulhaber, Administrative Services Manager  
Suzanne Shaw, Assistant Attorney General  
Greg Deam, Senior Research and Policy Manager  
Tim Valencia, Senior Research and Policy Manager

**Guests:**

Matt Smith, State Actuary  
Martin McCaulay, Senior Pension Actuary

**Board Members Not Present:**

David Moseley

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Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:37 a.m.

*It was moved that the October 26, 2005 Board meeting minutes be adopted as presented. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

**2) 2004 Valuation Results – Matt Smith, State Actuary**

Matt Smith, State Actuary presented the key results of the 2004 LEOFF 2 Valuation and distributed the latest report. Mr. Smith noted that the LEOFF 2 retirement plan is well funded at 117%, and that funding policies are solid. All information included in the report are as of September 30, 2004.

Mr. Smith went on to say that the 2005 LEOFF 2 Valuation will be audited and used to recommend contribution rates for the 2007-2009 biennium.

**3) 2006 Board Meeting Schedule Adoption**

Tim Valencia, Senior Research and Policy Manager provided the Board with the currently proposed Board meeting schedule and reviewed alternative dates for the March, June and September 2006 Board meetings.

*It was moved that March 29, June 21, and September 13, 2006 be adopted as the alternative Board meeting dates. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

*It was moved that the 2006 Proposed Board Meeting Schedule be adopted to include the alternative dates selected above. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

Currently, all Board meetings are scheduled to take place in the Boardroom of the Washington State Investment Board. Staff will proceed with submitting the 2006 LEOFF Plan 2 Retirement Board Meeting Schedule to the Office of the Code Reviser.

**4) Fish and Wildlife Service Credit Transfer – Preliminary Report, Greg Deam**

Greg Deam, Senior Research and Policy Manager presented a *Preliminary Report and Presentation* regarding the transfer of past PERS 2 service credit into LEOFF 2 for Fish and Wildlife Officers.

The Board discussed if Fish and Wildlife Officers should be allowed to transfer “past” service credit to LEOFF 2, if so, how the increased costs to the plan should be covered.

Two options were provided:

**Option 1** would require the Department of Fish and Wildlife to pay into the LEOFF Plan 2 retirement fund, either by lump-sum or on a member-by-member basis, an amount sufficient to fund the service credit transfer from PERS Plan 2 to LEOFF Plan 2. This amount is in addition to the amount paid by the member and includes the increase in the fund liability caused by adding the additional members to the plan.

**Option 2** would require a one basis point increase in both the member and state contribution rates. This amount would also fund the service credit transfer, plus the increase in the fund liability.

**Chief Bruce Bjork – Enforcement Chief,  
Washington State Department of Fish and Wildlife**

Chief Bjork, Enforcement Chief with the Washington State Department of Fish and Wildlife testified that he would like to see Fish and Wildlife Officers have the option to transfer their past service credit into LEOFF 2, however, he preferred the Department of Fish and Wildlife not be required to absorb the entire cost.

*It was moved that the Fish and Wildlife Service Credit Transfer issue be forwarded to the Final Proposal level, with all options included in the report researched further and brought back to the December 8, 2005 Board meeting. Seconded.*

*Michael Edwards opposed the motion, requesting that only one of the options and not both, be further researched and brought back to the Board for a Final Proposal.*

**MOTION CARRIED**

**5) Administrative Update – Steve Nelsen, Executive Director**

**Select Committee on Pension Policy (SCPP) Update**

Steve Nelsen, Executive Director updated the Board on the recent meeting of the SCPP. The Board previously discussed the possibility of joint-legislative sponsorship between the SCPP and the LEOFF Plan 2 Board on two proposals for the 2005 Legislative Session – Service Credit Purchase for Injury and Dual Membership. After further discussions with the SCPP and due to the number of items on their legislative agenda this year, they didn't feel they would have adequate time to study and act on them this year. According to State Actuary Matt Smith, both of these issues will be on the SCPP agenda for study and consideration in 2006.

Mr. Nelsen noted that the LEOFF 2 Board may still pursue both of these issues this year, or could opt to wait until next year to possibly co-sponsor them with the SCPP.

**Attorney General Opinion – Contractual Rights**

Mr. Nelsen discussed the recent Attorney General Opinion, which states that the Legislature can amend or repeal any pension benefits when they specifically reserve the right to do so in the legislation creating the benefit. The Leave Supplement benefit is the only example in LEOFF Plan 2 where the Legislature has reserved the right to amend or repeal.

**Actuarial Costs Related to Death Benefits**

Mr. Nelsen stated that the costs included in State Actuary's memo would be re-distributed and discussed at the December Board meeting under the subject of the

\$150,000 Death Benefit for Occupational Illness. This issue will be presented as a Preliminary Follow-Up Report.

**6) Service Credit Purchase for Injury, Preliminary Report – Tim Valencia**

Tim Valencia, Senior Research and Policy Manager presented a *Preliminary Report and Presentation* on whether to increase the amount of service credit a member can purchase for an injury (temporary duty disability) from 6 to 24 months and expand the eligibility requirements to purchase this service credit to most members.

These changes would create consistency with the PERS policy established in 2005.

*It was moved that the Board defer the Service Credit Purchase for Injury topic until 2006, to be worked on with the Select Committee on Pension Policy. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

**7) Dual Membership, Preliminary Report – Greg Deam**

Greg Deam, Senior Research and Policy Manager presented a *Preliminary Report and Presentation* on Dual Membership. Mr. Deam highlighted the restrictions of Dual Membership and offered three possible options to remedy the restrictions.

**Option 1** – Remove the 30-Year Cap

**Option 2** – Include LEOFF Plan 2 Indexing

**Option 3** – Change the Definition of “Base Salary”

*It was moved that the Dual Membership issue – all options be forwarded to the Final Proposal level and brought back to the December 8, 2005 Board meeting. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

**8) Catastrophic Disability Benefits, Preliminary Report – Tim Valencia**

Tim Valencia, Senior Research and Policy Manager presented a Preliminary Report and Presentation on Catastrophic Disability Benefits. The proposal would provide members who are catastrophically disabled and incapable of substantial future employment in any capacity, to receive 70% of their final average salary, tax-free for life. Mr. Valencia went on to explain that the combined benefits from all sources would not exceed 100% of the member's salary. Mr. Valencia discussed various offset policy options.

**Option 1** – Establish a 70% catastrophic disability benefit with Workers' Compensation offset.

**Option 2** – Establish a 70% catastrophic disability benefits with Workers' Compensation and Social Security offset.

**Option 3** – Establish a 70% catastrophic disability benefit with offsets for Workers' Compensation, Social Security, out-of-state pensions, and employer paid disability insurance.

*It was moved that the Catastrophic Disability Benefits – Option 2 be forwarded to the Final Proposal level and brought back to the December 8, 2005 Board meeting. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

**9) Survivor Health Care Insurance, Preliminary Report – Tim Valencia**

Tim Valencia, Senior Research and Policy Manager gave a *Preliminary Report* and *Presentation* on costs of and access to health care for survivors of LEOFF 2 members killed in the line of duty. Currently, access to health insurance is provided, to surviving spouses and dependent children of LEOFF 2 members killed in the line of duty, through the Public Employees' Benefit Board (PEBB). All costs are paid by the surviving spouses and dependent children.

This proposal would allow the LEOFF pension plan to pay for the PEBB health insurance for the survivors of LEOFF Plan 2 members who are killed in the line of duty. It would include survivors who are currently paying for survivor health care insurance from PEBB, future survivors who would become entitled to PEBB health care insurance, and survivors who existed prior to the 2001 legislation, which provided survivor health care access.

*It was moved that the Survivor Health Care Insurance issue be forwarded to the Final Proposal level and brought back to the December 8, 2005 Board meeting. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

**10) Board Membership, Preliminary Report Follow-Up, Tim Valencia**

Tim Valencia, Senior Research and Policy Manager presented a *Preliminary Follow-Up Report* and *Presentation* on Board Membership. Any change to the membership of the Board requires a statutory change. In June 2007, there are seven of the eleven member terms that will expire, which would put the Board at a severe continuity risk. Mr. Valencia presented several options to remedy these risks.

**Option 1** – Move back the date the retirees join the Board

**Option 2** – Allow either retiree or active member to be appointed

**Option 3** – Stagger current employer 4-year terms of office

**Option 4** – Synchronize legislator terms with legislative election cycles

**Option 5** – Make legislative appointments bipartisan

*It was moved that the Board Membership – Options 2, 3, 4 and 5 be forwarded to the Final Proposal level and brought back to the December 8, 2005 Board meeting. Seconded.*

**MOTION CARRIED UNANIMOUSLY**

**11) Survivor Benefits – Actuarial Reductions, Greg Deam**

Greg Deam, Senior Research and Policy Manager presented an *Initial Consideration and Presentation* on reducing or eliminating the actuarial reductions for LEOFF 2 survivor options.

**Costs of Survivor Benefits – Martin McCaulay, Office of the State Actuary**

Martin McCaulay, Senior Pension Actuary with the Office of the State Actuary presented costs associated with reducing and eliminating the actuarial reductions of LEOFF 2 survivor options.

**Next Board Meeting**

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for Thursday, December 8, 2005 from 9:30 a.m. – 3:00 p.m. in the Boardroom of the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington 98502.

There being no further business, the meeting was adjourned at 2:42 p.m.